

MONTHLY UPDATE

December 2019

Performance as at 31st December 2019

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust	0.20	0.41	1.02	3.21	4.10	4.98
Catholic Values Trust	-1.02	1.39	4.04	17.35	8.97	7.15

All returns are net of fees and yearly returns are annualised

Investment Market Review

Equity markets finished the calendar year on a low, with the Australian share market, as measured by the S&P/ASX 100 Accumulation Index, declining 2.23% for December, while global shares, as measured by the MSCI World ex Australia Index (unhedged), also retreated delivering a return of -0.86% for the month. Despite the pull back in December, it was a great year for equities as a whole, with Australian equities returning 24.06% for the calendar year and global equities adding 27.97%.

Domestic Economy Update

Australia saw interest rates cut in half over 2019, from 1.50% to 0.75%, as The Reserve Bank of Australia (RBA) made three cuts of 0.25% in June, July and October in a bid to drive down the unemployment rate and lift wages. The board added that they will continue to monitor the labour market and that it was reasonable to expect an extended period of low interest rates due to both global and domestic factors.

Australia's employment rate started the year at 5.0% and reached a peak of 5.3% in June, August and October, before finishing November at 5.2%. Over the year we have seen employment increase by 268,900 people, with 140,800 people employed full-time and 128,100 more people employed part-time.

The Australian dollar began the calendar year at 70cents against the U.S. dollar, before dropping as low as 66cents in August following consecutive interest rate cuts in June and July. This was the lowest level for the Australian dollar against the U.S. since the GFC in March 2009. The dollar finished the year back at 70cents as the case for further rate cuts eased and commodities continued to rally.

Global Economy Update

The United States and China announced that they have agreed to a "phase one" trade deal that includes cutting tariffs on Chinese goods. The U.S. has agreed to suspend tariffs on \$US160 billion in Chinese goods, while the Chinese have agreed to large purchases of agricultural product, energy and manufactured goods.

CCI Asset Management Updates

Distributions

The December Quarter/Bi-Yearly distributions are scheduled to be paid this week.

Income Trust

1st October to 31st December 2019
Cents Per Unit: 0.32

Catholic Values Trust

1st July to 31st December 2019
Cents Per Unit: 1.37

If you have any feedback or suggestions for the Monthly Update, please email david.smith@cciassetmanagement.org.au

Global Economy Update continued...

The U.S. unemployment rate held steady at 3.5% in December, remaining at the lowest level since 1969. There were 145,000 jobs created for the month, while there were 2.1million new positions created for the year, an average of 176,000 per month. This is the slowest year for job creation since 2011 and down from 2.7million positions added in 2018. Job gains for December occurred in retail trade (41,000 jobs), health care (28,000 jobs) and leisure and hospitality (40,000 positions), while employment in mining declined by 8,000 jobs.

Labour conditions in the Eurozone improved slightly in November, with the number of unemployed people decreasing by 10,000 and the unemployment rate remaining unchanged at 7.5%. This is the joint-lowest unemployment rate since July 2008.

Bushfires

CCI Asset Management would like to pass on our thoughts and prayers to all those impacted by the bushfires throughout Australia. We are thinking of you during this difficult time.

Income Trust

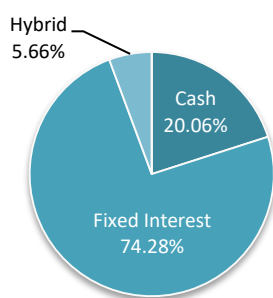
	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Income Trust (Gross of Fees)#	0.25	0.57	1.24	3.86	4.75	5.63
Income Trust (Net of Fees)#	0.20	0.41	1.02	3.21	4.10	4.98
Benchmark	0.07	0.23	0.52	1.50	1.72	1.91
Objective: AusBond Bank Bill + 1.0%p.a. rolling 3yrs					2.72	

#All yearly returns are annualised

Monthly Performance Commentary

The Income Trust continued to produce a positive yield throughout December, registering a return of 0.20% net of fees. Fixed Interest was the top performing asset class in absolute terms, with Hybrids and Cash providing a small positive contribution. The fund outperformed the benchmark for the month net of fees and continues to outperform over all other rolling periods.

Asset Allocation



Fixed Interest

Fixed Interest performed well during December, providing a positive contribution of 0.21%. Due to its large asset allocation of 74.28%, the positive performance of this asset class had a large impact on the portfolio return. Qube Subordinated Note was the top contributor for the second straight month, followed by Bendigo and Adelaide Bank Floating Rate Note and Standard Chartered Bank Floating Rate Note. Toronto-Dominion Floating Rate Note was the sole detractor for the month.

Hybrid Securities

Hybrid Securities were relatively flat this month, contributing only 0.03%. Since there is only a slight exposure to Hybrids of 5.66%, this had minor influence on the overall portfolio movement. The sole detractor was Westpac Capital Notes 3, while CBA Perls IX Capital Notes and CBA Perls XII Capital Notes were the top contributors.

Hybrid Portfolio

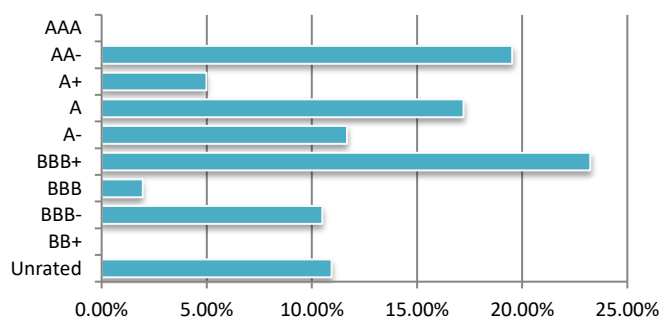
Top Contributors	Asset Class	Return %	Portfolio Contribution %
QUB Subordinated Notes	Fixed Interest	1.168	0.037
Bendigo & Adelaide Bank	Fixed Interest	1.198	0.035
Standard Chartered Bank FRN	Fixed Interest	0.804	0.025
West Links FRN	Fixed Interest	0.531	0.015
CBA FRN	Fixed Interest	0.189	0.012

Top Detractors	Asset Class	Return %	Portfolio Contribution %
Toronto-Dominion Bank FRN	Fixed Interest	-0.120	-0.007
Westpac Capital Notes 3	Hybrids	-0.220	-0.001

Security	Issuer Margin
ANZ Bank Preference Shares	BBSW 90 Day + 3.40%
ANZ Capital Notes 6	BBSW 90 Day + 3.40%
CBA Perls VII Capital Notes	BBSW 90 Day + 2.80%
CBA Perls XII Capital Notes	BBSW 90 Day + 3.00%
CBA Perls IX Capital Notes	BBSW 90 Day + 3.90%
NAB Capital Notes	BBSW 90 Day + 3.50%
NAB Subordinated Notes 2	BBSW 90 Day + 2.20%
Suncorp Group Capital Notes	BBSW 90 Day + 4.10%
Westpac Group Capital Notes	BBSW 90 Day + 3.70%
Westpac Capital Notes 3	BBSW 90 Day + 4.00%

Portfolio Credit Rating Allocation

Below is the credit composition of the Income Trust Portfolio.



Unrated securities largely consist of unrated retail issues including Suncorp Group Ltd and Westpac Hybrid securities. Together these unrated securities represent 3.83% of the Income Trust Portfolio as at 31 December 2019.

These securities have not been issued a credit rating by any rating agency in accordance with ASIC regulation regarding credit ratings on retail issues.

Credit ratings as classified by Standard & Poor's

Fund Distribution History (cents per unit)

31 December 2018:	0.55
31 March 2019:	0.49
30 June 2019:	0.69
30 September 2019:	0.38
31 December 2019:	0.32

Catholic Values Trust

	Month	Quarter	FYTD	1 Year	3 Years	5 Years
Catholic Values Trust (Gross of Fees) [#]	-0.96	1.57	4.27	18.05	9.67	7.85
Catholic Values Trust (Net of Fees) [#]	-1.02	1.39	4.04	17.35	8.97	7.15
Benchmark	-1.19	1.34	3.81	16.95	8.86	8.05
Objective: CPI + 3%p.a. rolling 3 & 5 yrs					4.79	4.71

[#]All yearly returns are annualised

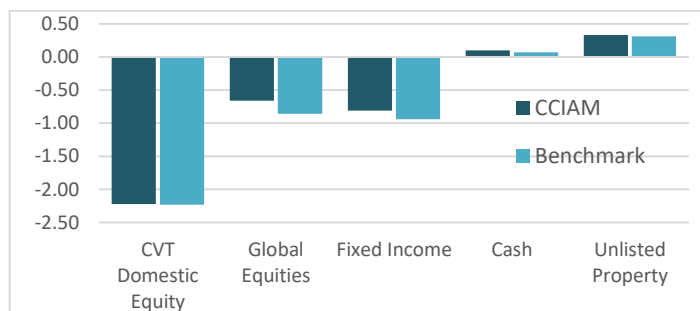
Monthly Performance Commentary

The Catholic Values Trust delivered a negative return in December, falling by 1.02% net of fees, however posted a strong return for 2019, expanding by 17.35% net of fees over the 1 year period. Domestic and global equities were the top contributors to performance over the year as trade tensions continued to ease and investors looked for higher returns. The fund continues to perform well above its Objective of CPI + 3% per annum over the rolling 3 and 5 year periods.

Asset Allocation

	CCI Asset Management	Benchmark Allocation
AU Equity	32.89%	35.00%
Global Equity	22.99%	25.00%
Property	3.30%	5.00%
Fixed Interest	18.38%	25.00%
Cash	22.45%	10.00%

Asset Class Return

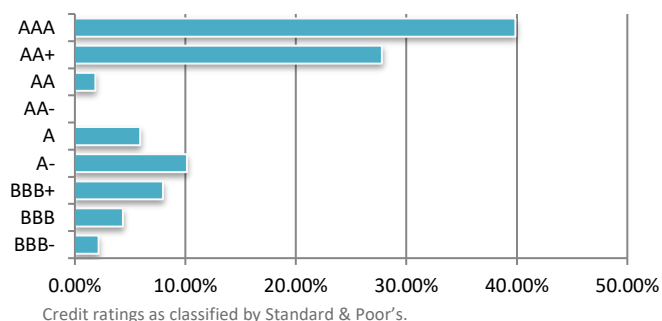


Fixed Interest

The Catholic Values Trust is underweight in Fixed Interest, and continues to maintain the majority of its exposure to semi-government securities. Fixed Interest outperformed the benchmark for the month.

Fixed Interest Credit Rating Allocation

Below is the credit composition of the Fixed Interest asset class.



Australian Equities

Australian Equities retreated in December, with Financials and Consumer Staples the top detractors to performance, while Materials was the standout contributor. At the security level the big miners lead the way with Fortescue Metals, BHP and RIO all benefitting from a continued rally in commodities, particularly iron ore and copper. Other contributors included Magellan Financial and APA Group. On the downside Woolworths was the top detractor, followed by Telstra, NAB and CSL. Telstra's performance was on the back of major outages during December.

Top Contributors	Return %	AU Contribution %
Fortescue Metals Group	9.69	0.031
BHP Group Limited	1.73	0.027
RIO Tinto Ltd	3.55	0.023
Magellan Financial Group	8.40	0.012
APA Group	3.20	0.009

Top Detractors	Return %	AU Contribution %
Woolworths Limited	-0.65	-0.205
Telstra Corporation	-8.25	-0.077
NAB	-4.48	-0.074
CSL Limited	-2.79	-0.072
Goodman Group	-8.80	-0.041

Global Equities

Manager: Vanguard Ethically Conscious International Shares Index Fund

The Vanguard Ethically Conscious International Share Index Fund delivered a negative return for December, although outperformed the benchmark. The fund returned -0.66% net of fees, as markets took a breath in the lead up to Christmas. The top contributors included Apple, Microsoft, United Health Group, JPMorgan and Facebook, while Home Depot, McDonald's, Nestle and Cisco Systems were amongst the top detractors for the period. Apple continued its extremely strong year, with the stock up close to 80% for the year, as the company's growth outside of iPhone, namely "wearables, home and accessories" pushed the revenue higher, while Home Depot retreated on the back of a profit warning.

Fund Distribution History (cents per unit)

31 December 2018:	2.93
30 June 2019:	6.26
31 December 2019:	1.37

For any queries in relation to this CCI Asset Management Monthly Update please contact

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